

WASCANA CENTRE AUTHORITY

Land Use Possibilities

Background

Coffee Shop / Café

Redevelopment of Nursery for Residential and Related Uses

Wascana Centre Authority Land Use Possibilities

BACKGROUND

Wascana Centre Authority has undertaken a comprehensive review of Wascana Centre future purpose, vision and mandate on a clean slate basis to thoroughly examine all aspects of Wascana Centre and to develop a Vision for the next 50 years and beyond. A number of elements were to be considered which included an inventory of all the existing facilities and their current condition. The review included an extensive public engagement process.

Froese Consulting Inc. was engaged to examine the lands within Wascana Centre boundaries. The examination included; visits to Regina to view all of the lands, confidential consultation with knowledgeable sources to confirm local potential for café's, residential and other forms of development and an assessment of the likely suitability and possible public acceptance for various forms of development.

Final examination of lands was considered with a view to:

- The comments made in the public engagement process to enhance the visitor experience, or
- The potential for lands to make a financial contribution to the park through a one-time cash infusion or through an ongoing source of revenue.

Lands Considered:

All of the lands within the Wascana Centre boundaries were looked at including:

Lands	Understanding
The provincial lands south / east of the TransCanada Highway and adjacent to SIAST	It is understood the province has planned uses for these lands, other than opportunities to support WCA.
Douglas Park – the Leibel Field/Track area	Douglas Park as a possible location for a fitness or physiotherapy facility is considered as suitable. Good examples of this exist in other Cities.
Grounds adjacent to existing facilities including the Legislative Grounds, the University of Regina lands and others.	These lands are not available for development
Lands around the lake, Pine Island, near the Marina etc.	Limited development in these areas to provide enhanced experiences to Park users is considered suitable.
Tree Farm Lands	This site is suitable for development and has the opportunity to generate revenue for Wascana Centre.

SECTION 1

The public engagement and visioning work done for Wascana Centre identified a desire for some commercial animation around Wascana that could enhance the use and enjoyment of the public of the Park. This animation could include the inclusion of coffee shops / café's, and restaurant facilities.

REQUEST BY PUBLIC FOR COFFE SHOP/CAFÉ

Discussion

The public input process identified that there is a desire for a coffee shop/café within the Wascana Centre to allow joggers, skiers, walkers, visitors, etc. to relax in the environment and reward themselves with a coffee and/or deli food which could include soups and sandwiches, etc. Outlined below is a discussion on the options, locations, economics and operator search method. The options progress from the least expensive in investment and the lowest rental returns to other possibilities. These uses are likely more of a service than a significant financial return for the Authority. This process would allow the Authority to proceed to identify interest and possible operators and the current best method for the land of delivering one of the three land use options.

Land Use Options

Some possible options are identified and discussed below. A decision on which option to be implemented would be based on the results of the "Operator Search" undertaken on behalf of Wascana Centre Authority by outside parties as outlined.

Coffee Shop Only - This would be the most simple land use in that it would require the least amount of investment for the building and still provide an opportunity for the users to socialize in one of their favourite locations in Regina. Offerings would be various coffee/tea and soft drinks including custom coffee. The relative size of such a shop would be 500 square feet which includes 10 inside seats and outside seating with another 20 to 30 seats. The hours of operation would be from mid morning (9:00 a.m.) to later afternoon (5:00-6:00 p.m.) This use requires very high people traffic to be economical and typical locations are high rise office and hospital lobbies, large book stores and regional Shopping Centres. It is doubtful that there is enough people traffic to support a coffee shop only in Wascana. There are franchises that exist that could provide immediate feedback through an agent for the Authority as to whether this limited use is economically realistic within Wascana Park.

1. Coffee Shop and Café - This would have the same offering of coffee/tea, etc. plus soups and sandwiches. There is a larger investment in the kitchen area involved by the owner (\$500,000) and larger size buildings (1500 – 2000 square feet) are required in order to make this use successful. For this use to have success,

It would require having enough demand to warrant the relative investment. The interior size, including the kitchen area would be approximately 1500-2000 square feet with 30 to 40 interior seats plus outside seating for 20 or 30 people. Power requirements of 200 amps to 500 amps are typical. There are franchises that exist that could provide immediate feedback through an agent for the Authority as to whether these uses are realistic within Wascana Park.

2. Bakery, Coffee Shop and Café - The author has seen a number of private developments that start out as a bakery and develop a coffee shop and café as a complimentary use. This alternative is worthwhile exploring if the coffee, soup and sandwich option does not look realistic. The bakery option becomes the main revenue producer for the owner and can be a destination for consumers in its own right. The coffee shop and café are subsidiary and complimentary uses to the bakery. The hours of operation for the public of this use would generally be from 8 or 9 a.m. to 4:00 – 4:30 p.m. This alternative is worthwhile exploring to allow comparison to the economics of the other two uses.

Location

The location should be easily accessible by the public both on foot and via bike or skis or vehicle. Ideally, it would be built on existing infrastructure of parking and roads. The marina should be explored thoroughly as it would appear to be the preferred location. Equally, Pine Island could also be explored.

These options could be left on the table to be reviewed by potential operators in the search process.

Economics

For the use to be successful and serve the public well, there needs to be enough business activity for the owners to generate income and profit. The size of the building increases progressively for the three options identified above. Equally, the investment by the owner also increases significantly based on the options identified.

It is doubtful that the revenue from the coffee shop would be high enough to warrant the investment in equipment and rent at this time. However it should be explored thoroughly as identified in the section “Operator Search”.

The normal formula for any commercial development means that the owner would provide the building and the space. The lessee would do the improvements beyond drywall and provide equipment and furniture. The ability of the lessee to pay rent may not be high initially. If this is the case, then there exists other examples, such as Granville Island in Vancouver, where the initial rent rates were very low and would not have paid for the building improvements but progressed with escalations in growth in sales using a percentage of sales formula. This philosophy is very effective when

operators are taking somewhat of a demand risk in a new venture and if such a venture has public benefits.

Operator Search

There are two main strategies outlined below that are not mutually exclusive. It is suggested that a progressive search be undertaken along the following lines:

Option 1

Commercial Realtor - Hire a commercial realtor to pursue interest through normal channels in the alternative land uses that are identified above. That firm's role would then be to identify the interest and the ability of the business to pay rent. If the commercial realtor feels that there is a demand for this type of use, then the Authority could have someone write an "Expression of Interest" to be advertised with responses from interested parties. This would allow the Authority to see the degree of interest that might exist. It would be wise for the Authority Agent to indicate that it has an option to negotiate with the party of its choice after an evaluation of the alternatives, to try to reach a business deal.

Option 2

Alternatively, the Authority could, if there are a number of interested parties, retain the right to go forward with "Request for Proposals" (RFP). This would allow a competitive process if there were a number of parties interested.

The Authority would need assistance in the writing and the evaluation of the "Expression of Interest" and/or "Request for Proposals". Advice on this could be given at the time if the Authority decides to proceed with either of these methods.

SECTION 2

NURSERY LANDS: DEVELOPMENT OF RESIDENTIAL AND RELATED LAND USES

Land Uses

The Nursery located within the Wascana Centre is a highly desirable location for residential land uses within the overall City of Regina. Unsolicited discussions have occurred in the past with outside parties that would be interested in residential development. The location would warrant a relatively higher density residential development, some of which is currently taking place within the City of Regina. Key design components could be:

- 4 to 8 floors of concrete buildings¹
- Underground parking

Land Uses could also include a residential retirement project, (initiated by the private sector).

The possibility of hotel use on the site would also be useful to explore to determine if there is demand, provided that such a use compliments the City's long term planning and development objectives.

Alternative Involvement of Wascana Centre Authority

There are a number of different alternatives for the involvement of the Wascana Centre Authority within the development process. A brief discussion of these alternatives follows.

- Rental of Land - The alternative is not recommended as individuals purchasing condominiums prefer to have outright ownership. Land rental for residential uses generally results in lower changes in value for owners than normal ownership. It is suggested that the lease of the property is not the model that should be pursued if the Authority decided to pursue the redevelopment of this property.
- The Sale of the Property
 - Sale of Raw Land - This would be putting the property up for sale entirely at this point in time and allow the successful proponent to proceed with the planning of the property. The Authority could retain the right to approve the plan. The possible advantage to this Authority would be that there would be an immediate

¹ Building height needs to be reviewed in the context of the plan for Wascana Centre.

influx of money. However, the Authority would be forgoing the significant long term financial benefit that would be possible on the progressive sale as outlined in the option which follows.

- Progressive Sale of Improved Property - This would see the Authority sell the net improved property (the land available for actual development of residential and related uses after the road and utilities requirements have been installed together with any requirements for dedication of land for other public purposes). The Authority under this alternative would receive significantly more money as it would be the improved property that would be made available for the development of residential and related land uses. The benefits to this process are identified in the next complete section.
- The Authority could proceed with the land development and planning itself. This is not recommended as it is a different business, not familiar to the Authority.
- The other option is for the Authority to have a private sector partner. The partner would receive credit for the land development cost to create the net parcels. There is a legal process by which this could occur that in its most simple form would involve the development of a plan by the partner that would be approved by the Authority. The partner would proceed with the land development and get credit for the progressive cost of the land development against the market value of the purchase price of the parcels for residential development as the individual land parcels are bought. There would be a point where all of the development costs would be paid off and the Authority would receive all the net funds thereafter. This is discussed in the section on the financial return, which follows.

Financial Returns to the Authority

Land Use Evaluation

This is a very highly desirable site for residential and other related purposes. It is understood that the current development nature of multi family in Regina is largely four story residential developments. At this point in time, there has not been a demonstrated demand for higher density. It is suggested that as this is a desirable area, that the possibility of higher density between four and eight floors, should, be explored to ensure that the development of the lands and the number of Regina citizens enjoying the same are optimized.

Current Absorption Rates

The current absorption rates for multi-family development in Regina are somewhere between 800 and 1,000 units per year. This consists of two story (3 units) development, row housing and 4 story multi-family. The absorption rate for multi family in 4 story configuration is approximately 400 to 500 units per year at 35 units per acre; this translates into a land absorption rate of 11 to 14 acres per year.

Development Costs

- Average development costs for industrial/commercial land is approximately \$200,000 per acre.
- Average development costs for a large block of residential land would be somewhere between \$225,000 and \$300,000 per acre.
- Development costs for single-family development are approximately \$1,900 per front foot. This would translate into approximately \$456,000 per acre.

The relevant number is the development cost for multi-family development.

Development Efficiency

When a block of land is developed, approximately 30% (10 acres) of it is utilized for roads and community reserve. This would mean that approximately 70% (24.5 acres) of it is available for the actual construction of housing. It should be noted that these numbers can vary depending on a specific piece of land and the specific design.

Value of Raw Land For Multi-family

It is understood that the current value of undeveloped land for multi-family would approximately \$150,000 per gross acre (35 acres). This is assuming that the land use classification or zoning is already in place.

POTENTIAL REVENUE: \$5,250,000

Value of Developed Land for Multi-family Development

It is understood that the value of multi-family land in a good location that is zoned and serviced is approximately \$700,000 per acre. An excellent location zoned and serviced is approximately \$800,000 per acre.

The value of these lands when they are zoned and developed for multi-family, with approximately 24.5 acres of land available for construction would be approximately \$19,600,000 gross. This would need to be discounted as all of the lands would be absorbed over a 3-5 five-year period. Land development costs would be around \$7,350,000.

POTENTIAL NET REVENUE: \$10,660,000 TO \$11,760,000.

It is considered that with a more efficient method of land development and a higher density and a hotel that these net returns could be improved upon.

To Proceed or Not to Proceed

This is a very important piece of property that would benefit the overall residential development in the community and those citizens that will live there. As Regina grows, the demand for residential lands will likely increase and result in an interest and market for higher density that does not exist today. The improvement in density and the improving demand over time will do nothing but increase the over all value of these lands for development. The strategic conundrum is, when one wants to proceed, when is the right time to do so? The answer lies somewhere in the relative benefit to the Authority or the Province of the sale of these lands under the several options that are outlined above and what the funds might be used for. If the funds are significant enough, this can only occur if the land use were to be approved prior to any sale, and that some of the development maybe sequentially undertaken, could finance a significant development for Wascana.

There are a number of organizations that have utilized significant funds in an endowment fund and then used the interest for capital and over operating purposes. Current returns are not as strong as they use to be based on the changing world economic conditions.

The decision to proceed requires some careful and thoughtful analysis by the Board. Once the land is developed for residential use it is no longer available for park lands or other public use development.

Strategy For Implementation, if a Decision is Made to Proceed

Strategy to Proceed with Development

There are a number of possibilities with which the Authority could proceed. It is suggested that the best alternative is for the Authority to actually pursue a private sector partner through a RFP process. The partner would be responsible for the following:

1. Development of the land use concept and land use development that would require the approval of the Authority. The partner would be responsible for all the formal submissions to the City and the various authorities to obtain approval.
2. The partner would carry out progressive development with approval of the overall sequencing by the Authority. It is important that the highest value of land be developed last, to allow the Authority to optimize its return on land sales. This is a proven strategy utilized by the private sector in residential development whether it is for single family or higher density development.

Revenue for the Authority

- Initially there needs to be some payment made by the private sector partner to ensure that they have a financial commitment to the process.
- There would be a progressive take down of the individual serviced parcels of land by the private sector partner. This would be based on an independent appraised value for the land or the individual parcel proposed to be bought. The partner could also have it's own appraisal carried out. If there is disagreement amongst the two appraisers, then an arbitration process could be established.
- A process needs to be developed to allow the partner to receive credit for the significant land development costs occurred during the development
- It is important that a "divorce clause" be included so that there can be a termination of the business relationship between the Authority and the partner. This clause would include a clear and simple reconciliation of costs.

Wascana Centre Authority would need to hire an individual and/or firm to assist it in this process. Successful models exist for projects that have proceeded on this basis.

